

**SOUTH DAKOTA
DRINKING WATER STATE REVOLVING FUND
FISCAL YEAR 2009 INTENDED USE PLAN**

INTRODUCTION

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law 46A-1-60.1 to 46A-1-60.3, inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter 74:05:11.

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year 2009 as required under Section 1452(b) of the Safe Drinking Water Act and ARSD 74:05:11:03. The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health. A public hearing was held on November 6, 2008, to review the 2009 Intended Use Plan and receive comments. The IUP reflects the results of this review.

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;
- Description and amount of non-Drinking Water SRF (set-aside) activities; and
- Disadvantaged community subsidies.

PRIORITY LIST OF PROJECTS

A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Drinking Water SRF loans as a funding source.

Projects may be added to the project priority list at any meeting of the Board of Water and Natural Resources if the action is included on the agenda at the time it is posted.

Priority ratings are based on the project priority system established in ARSD 74:05:11:06. The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

Attachment II is a list of those projects from which the department expects to receive applications. The estimated funding dates are only estimates and should not be interpreted as deadlines or that the loan funds have been reserved. Projects with a later expected funding date may receive loans prior to those projects with an earlier date based on time of submittal of its funding application. Any project that is listed on the project priority list, but not listed on Attachment II, will be moved to Attachment II upon submittal of an application. Attachment II will be revised as projects are added. These revisions do not require approval by the Board of Water and Natural Resources.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

The short-term goal of the SRF is to fully capitalize the fund.

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.

3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities;
5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment;
6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

Beginning January 1, 2005, states were required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures are to be reported in the following annual report.

For fiscal year 2009, the specific measures are:

1. In fiscal year 2008, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 98.9 percent, which is well above the national average of 88 percent. For fiscal year 2009, the goal of the Drinking Water SRF program is to maintain the fund utilization rate at or above 90 percent.
2. In fiscal year 2008, the rate at which projects progressed as measured by

disbursements as a percent of assistance provided was 71.6 percent, which was lower than the goal of 80%. For fiscal year 2009, the goal is to increase the construction pace above 80 percent.

3. For fiscal year 2009, the goal of the Drinking Water SRF program is to fund 12 loans, totaling \$30 million.
4. For fiscal year 2009, it is estimated that 18 projects will initiate operations.
5. For fiscal year 2009, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For fiscal year 2009, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,500 hours of technical assistance to small systems.

CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. The next highest priority project that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

Interest rates are reviewed periodically and are set to be competitive with other funding agencies. The interest rates for fiscal year 2009 are summarized in Table 1. Information regarding disadvantaged eligibility and

subsidy level criteria can be found in the disadvantaged community subsidies section.

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative

Table 1 - Drinking Water SRF Interest Rates

	Up to 3 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs
<u>Interim Rate</u>				
Interest Rate	2.00%			
Admin. Surcharge	<u>0.00%</u>			
Total	2.00%			
<u>Base Rate</u>				
Interest Rate		2.00%	2.50%	
Admin. Surcharge		<u>0.50%</u>	<u>0.75%</u>	
Total		2.50%	3.25%	
<u>Disadvantaged Rate - 100% of MHI</u>				
Interest Rate				2.50%
Admin. Surcharge				<u>0.75%</u>
Total				3.25%
<u>Disadvantaged Rate - 80% of MHI</u>				
Interest Rate				2.00%
Admin. Surcharge				<u>0.50%</u>
Total				2.50%
<u>Disadvantaged Rate - 60% of MHI</u>				
Interest Rate				0.00%
Admin. Surcharge				<u>0.00%</u>
Total				0.00%

purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and department. As of September 30, 2008, \$4.28 million of administrative surcharge funds are available.

Beginning in fiscal year 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from SRF application preparation and project

administration. Reimbursement is \$7,500 per approved loan with payments made in \$2,500 increments as certain milestones are met. Based on recent loan demand, an additional \$150,000 will be obligated for this purpose in fiscal year 2009.

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, loans totaling more than \$71.5 have been made to systems meeting this population threshold, or 35.0 percent of the \$204.2 million of total funds available for loan. With \$2.82 million identified for systems serving fewer than 10,000 persons on Attachment II – List of Projects to be funded in Fiscal Year 2009, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

The distribution methods and criteria are designed to provide affordable assistance to the borrower with maximum flexibility while providing for the long-term viability of the fund.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN WATER SRF

The Safe Drinking Water Act Amendments of 1996 and subsequent Congressional action allows states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may

transfer a previous year's allocation at any time.

South Dakota transferred \$15,574,320 from the Clean Water SRF program in past years. In fiscal year 2006, \$7.5 million of leveraged bond proceeds was transferred from the Drinking Water SRF program to the Clean Water SRF program. With the 2009 capitalization grants, the ability exists to transfer up to \$20.0 million from the Clean Water SRF program to the Drinking Water SRF program. Up to \$28.1 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 2 (page 9) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No transfers are anticipated in fiscal year 2009.

FINANCIAL STATUS

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2009 capitalization grant is expected to be \$8,146,000 which requires \$1,629,200 in state match. Bond proceeds will be used to match 2009 capitalization grant funds. The bonding authority for this program is established in SDCL 46A-1-60.1.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. Additional (leveraged) bonds above that required for state match were issued in fiscal years 2004, 2006, and 2008 in amounts of \$22.5 million, \$14.5 million and \$13.0 million, respectively.

Subsequently, \$7.5 million of the 2006 proceeds were transferred to the Clean Water SRF program. To meet the expected demand for fiscal year 2009 the district expects to raise additional revenue by issuing a minimum of \$10,000,000 in leveraged bonds.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$6.8 million in principal repayments will be available for loans in fiscal year 2009.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that \$2.7 million in interest earnings will be available for loans in fiscal year 2009.

As of September 30, 2008, 122 loans totaling \$223,833,947 have been made.

At the beginning of fiscal year 2009, \$2,306,079 is available for loan. The attached project priority list identifies nearly \$48.4 million in potential loans. With the 2009 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, approximately \$48.8 million will be available to loan. This information is provided in Attachment III, Drinking Water SRF Funding Status.

Funds will be allocated to the set-aside activities in the amounts indicated below. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

Administration	\$325,840
Small System Technical Assistance	\$162,920
State Program Management	\$50,000
Total for set-asides	\$538,760

The program has received eleven previous capitalization grants totaling \$99,939,500 and has provided the required state match of \$19,987,900. Of this amount, \$5,607,994 was allocated to set-aside activities as follows: \$3,997,580 for administration, \$1,384,908 for small system technical assistance, \$4,300 for state program management – operator certification, \$21,206 for capacity development, and \$200,000 for wellhead protection support.

With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

A conservative approach to set-asides and subsidized loans has been taken to assure achieving the goals of developing a permanent, self-sustaining SRF program. Future demand on the program will influence the allocation of funds to set-asides and loan subsidies.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical, financial and managerial capacity of new water systems, developing a strategy to address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the

requirements of these provisions and will not be subject to withholding of funds.

DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the State and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

Administration. Four percent of the fiscal year capitalization grant (\$325,840) will be allocated to administer the Drinking Water SRF program. This is the maximum allowed for this purpose.

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

Small system technical assistance. Two percent of the capitalization grant (\$162,920) will be allocated to provide technical assistance to public water systems serving 10,000 or fewer. This is the maximum allowed for this purpose.

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems.

In fiscal year 1997, the board contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water utilities. These contracts have been renewed annually. The contract will be amended to allow the continuation of assistance activities. The South Dakota Association of Rural Water Systems has been allocated \$688,816 in set-aside funds. The Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis. Contracts to date have provided approximately 11,100 hours of on-site small system technical assistance.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. The systems are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$6,000. One hundred-eighteen grants have been made for this purpose, totaling \$438,773 in obligations. Grants are available only for communities with a population of 2,500 or less.

The board also provides additional grants for studies incorporating a rate analysis using Rate Maker software. Reimbursement for performing a rate analysis is 80 percent of costs up to a maximum of \$1,600. Twenty-one grants, totaling \$29,600, have been awarded for rate analyses.

To assure available funds to support the existing small system technical assistance endeavors, \$162,920 from the fiscal year 2009 capitalization grant will be allocated to

this set-aside. Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. Currently, \$145,718 remains from previous years' allocations to be used for the purposes described above.

State program management. \$50,000 will be used to contract with the Midwest Assistance Program (MAP).

The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. A dollar-for-dollar match of capitalization funds must be provided for these activities.

In 2008, the Midwest Assistance Program (MAP) submitted a proposal to assist small communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. The Midwest Assistance Program worked with the DENR Capacity Assessment Coordinator to identify communities for follow-up reviews. Eleven follow-up reviews were completed in fiscal year 2008. The DENR and the Midwest Assistance Program will continue the partnership in FY 2009 and \$50,000 will be allocated for this activity. The Midwest Assistance Program dedicates approximately one-half FTE to conduct 3 or 4 reviews per quarter.

Local assistance and other state programs. The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-

aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

No funds will be set-aside for these activities in federal fiscal year 2009.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities that meet the disadvantaged eligibility criteria described below may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

- (1) for municipalities and sanitary districts:
 - (a) the median household income is below the state-wide median household income; and
 - (b) the monthly residential water bill is \$20 or more for 5,000 gallons usage; or
- (2) for other community water systems:
 - (a) the median household income is below the state-wide median household income; and
 - (b) the monthly water bill for rural households is \$50 or more for 7,000 gallons usage.

The source of income statistics will be the most recent federal census or statistically valid information supplied by the applicant.

Affordability criteria used to determine subsidy amount. Loans given to disadvantaged communities may have a term up to 30 years or the expected life of the project, whichever is less. Disadvantaged communities below the statewide median household income, but at or greater than 80 percent, are eligible to extend the term of the loan up to 30 years. Disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a two percentage point reduction in interest rates. See Table 1 on page 3 for the disadvantaged interest rate for fiscal year

2009. Disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive a zero percent loan.

Amount of capitalization grant to be made available for providing additional subsidies. Additional subsidies in the form of principal forgiveness or negative interest rates are not authorized under the program rules.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.

Table 2 - Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
1997	\$12,558,800	\$4,144,404	\$4,144,404				\$4,144,404	\$4,144,404
1998	\$7,121,300	\$2,350,029	\$6,494,433				\$6,494,433	\$6,494,433
1999	\$7,463,800	\$2,463,054	\$8,957,487				\$8,957,487	\$8,957,487
2000	\$7,757,000	\$2,559,810	\$11,517,297				\$11,517,297	\$11,517,297
2001	\$7,789,100	\$2,570,403	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,352,500	\$2,756,325	\$24,882,726				\$9,308,406	\$24,882,726
2006	\$8,229,300	\$2,715,669	\$27,598,395		\$7,500,000	Leveraged Bonds	\$12,024,075	\$20,098,395
2007	\$8,229,000	\$2,715,570	\$30,313,965				\$14,739,645	\$22,813,965
2008	\$8,146,000	\$2,632,570	\$32,946,535				\$17,372,215	\$25,446,535
2009 (est)	\$8,146,000	\$2,632,570	\$35,579,105				\$20,004,785	\$28,079,105

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Drinking Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Drinking Water SRF program. Attachment II lists those projects expected to be funded in fiscal year 2009.

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
154	New Underwood	C462257-01	<i>Problem:</i> the city in violation of maximum contaminant levels for radium and gross alpha which has resulted in a compliance order from DENR. <i>Project:</i> construction of a media adsorption filter system, building, and appurtenances to treat water from Well #2.	\$165,000	3.25%, 20 yrs	616	
142	Englehart Estates	C462461-01	<i>Problem:</i> the shallow wells serving the system are unreliable due to low water levels resulting from a recent drought, and the system is not metered and is not sampling as required. <i>Project:</i> Abandon the existing wells, install approximately 4000 feet of water main to connect to the city of New Underwood, replace the existing distribution system, and install meters.	\$129,100	3.25%, 20 yrs	45	
132	Clark Rural Water System	C462460-01	<i>Problem:</i> the water treatment plant is exceeding its design capacity during peak demand periods. <i>Project:</i> replace the iron/manganese filtration plant with a lime softening plant.	\$1,000,000	3.25%, 20 yrs	5,653	
129	Edgemont	C462216-01	<i>Problem:</i> the city's storage facilities and distribution system is old and in disrepair and has had routine and repeat samples that tested positive for total and fecal coli form; additionally the system is unmetered. <i>Project:</i> replace the existing concrete reservoirs, repair	\$750,000	2.50%, 30 yrs	867	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
125	Mid-Dakota Rural Water System	C462430-01	the existing steel reservoir, and install water meters. <i>Problem:</i> the system does not have the treatment capacity to accommodate requests to provide service to new users. <i>Project:</i> expand the capacity of the existing treatment facility from 9.0 MGD to 13.5 MGD.	\$12,000,000	2.00%, 3 yrs	32,000	
118	B-Y Rural Water User District	C462431-02	<i>Problem:</i> potential new users have been identified in the district's service area. <i>Project:</i> construct approximately seven miles of 4 and 6-inch lines to serve 20 additional users in Douglas County.	\$300,000	3.25%, 30 yrs	15,000	Yes
98	B-Y Rural Water User District	C462431-03	<i>Problem:</i> the two current intakes are not large enough to serve the water treatment plant when operating at maximum capacity. <i>Project:</i> construction of a third raw water intake.	\$2,000,000	3.25%, 30 yrs	15,000	Yes
93	Kingbrook Rural Water System	C462432-06	<i>Problem:</i> increased demands within the system have created hydraulic deficiencies within the distribution system. <i>Project:</i> construct approximately 28 miles of 12-inch pipe and make improvements to an existing booster station to improve transmission capabilities.	\$4,200,000	3.25%, 20 yrs	11,000	
92	Morristown	C462366-10	<i>Problem:</i> the water distribution system is in poor condition resulting in numerous water breaks and dead-end lines within the system contribute to water quality problems. <i>Project:</i> replace the entire distribution with 2 and 4-inch PVC water mains.	\$100,000	0%, 30 yrs	82	Yes
84	Canistota	C462226-01	<i>Problem:</i> much of the existing cast iron water mains are corroded with interior encrustations reducing the effective diameter of the mains. <i>Project:</i> replace approximately 3,400 feet of water main on ash Street	\$412,300	3.25%, 30 yrs	700	Yes
84	Faulkton	C462217-01	<i>Problem:</i> much of the existing distribution system is cast iron water mains that are in poor	\$1,000,000	3.25%, 30 yrs	785	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
81	Aurora-Brule Rural Water System	C462425-01	condition. <i>Project:</i> install approximately 28,500 feet of PVC water mains to replace the existing cast iron mains and loop several dead-end lines, replace water meters, and purchase a standby generator. <i>Problem:</i> the existing raw water intake and pumping system are at capacity and located in an area with unstable soil conditions. <i>Project:</i> construct new intakes, pump station, and raw water reservoir at a new location.	\$3,000,000	3.25%, 30 yrs	5,000	Yes
77	Spearfish Meadows Homeowners Association	C462459-01	<i>Problem:</i> the distribution system consists of lines ranging from ¾-inch to 4-inch in size which results in pressure and supply problems. <i>Project:</i> replace existing distribution system with 4 and 6-inch water lines, replace existing booster pump, install water meters and other miscellaneous improvements.	\$170,000	3.25%, 20 yrs	67	
72	Corson Village Sanitary District	C462423-01	<i>Problem:</i> the distribution system is largely pipe of 2 inches or less and the pump house and chlorination system is in poor condition. <i>Project</i> replace the distribution system with 6-inch PVC lines and extend a main to connect with the city of Brandon.	\$200,000	3.25%, 20 yrs	45	Survey being under-taken
58	Green Valley Sanitary District	C462251-01	<i>Problem:</i> most residences in the district are served by individual shallow wells for water use and septic systems for wastewater treatment. High groundwater levels and poorly operating septic tanks have led to water quality problems. <i>Project:</i> construct a distribution system and connect to the Rapid City system.	\$500,000	3.25%, 20 yrs	768	
35	Yankton	C462038-03	<i>Problem:</i> low flows and high sediment loads in the Missouri River are causing problems with the water intakes. <i>Project</i> drill two angle wells to draw water from under the Missouri River.	\$3,500,000	3.25%, 30 yrs	13,528	
34	Parker	C462026-03	<i>Problem:</i> the existing water distribution system	\$204,000	3.25%, 20 yrs	1,031	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
25	Sioux Falls	C462232-10	consists largely of 4-inch lines and is experiencing substantial water loss. <i>Project:</i> construct phase 4 of a seven-phase project to replace most of the water distribution system. <i>Problem:</i> Areas within distribution system are aging and in need of replacement <i>Project:</i> replace approximately 7,390 feet of water main in the Western Heights area, approximately 8,160 feet of water main near the air base and replace a pump station and three large diameter valves.	\$7,606,900	2.50%, 10 yrs	123,975	
22	Spearfish	C462030-01	<i>Problem:</i> water demand on the east side of the city has, on occasion, exceeded the capability of existing booster pump and well that serve the area. <i>Project:</i> develop a new well to serve the area.	\$1,300,000	3.25%, 20 yrs	8,606	
21	Box Elder	C462003-01	<i>Problem:</i> the city's three wells are unable to meet peak domestic demand and portions of the distribution system are asbestos-cement and undersized PVC pipe. <i>Project:</i> develop one additional wells and replace the asbestos-cement and undersized PVC pipe within the distribution system.	\$2,000,000	3.25%, 30 yrs	2,841	Yes
20	Sioux Falls	C462232-09	<i>Problem:</i> production of vertical raw water wells Nos. 60, 61, and 62 and horizontal collector well No. 37 has been decreasing. <i>Project:</i> construct a new horizontal collector well to replace vertical wells Nos. 60, 61, and 62 and rehabilitate horizontal collector well No. 37.	\$3,578,750	2.50%, 10 yrs	123,975	
19	Arlington	C462213-01	<i>Problem:</i> portions of the city's water main are cast iron that is old and in poor condition. <i>Project:</i> replace approximately 2-1/2 blocks of water main under Birch and 1 st Streets.	\$190,000	3.25%, 30 yrs	992	Yes
18	Oacoma	C462289-01	<i>Problem:</i> due to the elevations of the city's water storage reservoirs, insufficient pressure	\$914,800	3.25%, 20 yrs	390	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
18	Warner	C462042-01	occurs in certain locations. <i>Project:</i> construct a 140,000-gallon elevated water storage reservoir and relocate an existing storage reservoir. <i>Problem:</i> the city's water storage reservoir does not provide adequate storage to meet peak day demand, and the water meters have outlived the useful life expectancy. <i>Project:</i> construct a 75,000-gallon elevated water storage reservoir, and replace water meters.	\$300,000	3.25%, 20 yrs	419	
13	Hurley	C462281-01	<i>Problem:</i> dead-end lines are present in portions of the distribution system. <i>Project:</i> install approximately 3,500 feet of 6-inch water main to provide looping.	\$100,000	3.25%, 20 yrs	426	
10	Elk Point	C462059-05	<i>Problem:</i> the cast iron water mains on Main Street are old and experiencing breaks. <i>Project:</i> replace the existing line with PVC water main in conjunction with a DOT reconstruction project.	\$625,000	3.25%, 20 yrs	1,714	
9	Newell	C462109-01	<i>Problem:</i> portions of the city's distribution system consist of transite and cast iron pipe that is old and in poor condition. <i>Project:</i> replace approximately 1,600 feet of line in conjunction with a DOT project.	\$130,000	2.50%, 30 yrs	646	Yes
9	Waubay	C462025-02	<i>Problem:</i> the city's distribution system is old and in need of replacement. <i>Project:</i> replace 10,950 feet of water line to complete the city's two-phase water distribution system replacement project.	\$1,200,000	2.5%, 30 years	662	Yes
9	Woonsocket	C462138-01	<i>Problem:</i> a portion of the city's distribution system is old and experiencing unacceptable leakage. <i>Project:</i> replace approximately 4,460 feet of asbestos cement pipe and 700 feet of cast iron pipe with PVC to complete a total replacement of the distribution system.	\$390,000	3.25%, 20 yrs	720	
8	Gayville	C462250-01	<i>Problem:</i> much of the existing distribution system consists of cast iron water mains that	\$275,000	3.25%, 20 yrs	418	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
7	Java	C462350-01	<p>were installed in 1910. <i>Project:</i> install approximately 17,100 feet of PVC water mains to replace the cast iron mains and loop several dead-end lines.</p> <p><i>Problem:</i> the city's water distribution system consists of cast iron that is old and in poor condition. <i>Project:</i> install approximately 14,600 feet of PVC water main replace the existing cast iron lines:</p>	\$150,000	3.25%, 30 yrs	197	Yes

ATTACHMENT II - LIST OF PROJECTS TO BE FUNDED IN FISCAL YEAR 2009

Priority Points	Community/ Public Water System	Project Number	Loan Amount	Funding Date	Expected Funding Source	Dis- advantaged?
LOANS EXPECTED						
25	Sioux Falls	C462232-10	\$7,606,900	January 2009	Repayments	
20	Sioux Falls	C462232-09	\$3,578,750	January 2009	UCE	
154	New Underwood	C462257-01	\$165,000	March 2009	Repayments	
125	Mid-Dakota Rural Water System	C462430-01	\$12,000,000	March 2009	2008 & 2009 Cap Grants	
22	Spearfish	C462030-01	\$1,300,000	March 2009	Leveraged Bonds	
84	Canistota	C462226-01	\$412,300	June 2009	Leveraged Bonds	Yes
72	Corson Village Sanitary District	C462423-01	\$200,000	June 2009	Leveraged Bonds	
34	Parker	C462026-03	\$204,000	June 2009	Leveraged Bonds	
18	Oacoma	C462289-01	\$914,800	June 2009	Leveraged Bonds	
18	Warner	C462042-01	\$300,000	June 2009	Leveraged Bonds	
35	Yankton	C462038-03	\$3,500,000	September 2009	Leveraged Bonds	
10	Elk Point	C462059-05	\$625,000	September 2009	Leveraged Bonds	

ATTACHMENT III PROGRAM FUNDING STATUS

Fiscal Years 1997 - 2008

Capitalization Grants	\$99,939,500
State Match	\$19,987,9000
Set-Asides	(\$5,607,944)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$42,504,075
Excess Interest as of September 30, 2008	\$11,079,976
Excess Principal Repayments as of Sept. 30, 2008	\$23,048,399
 Total Funds Dedicated to Loan	 \$206,526,176
 Loans made through September 30, 2008	 <u>(\$204,220,098)</u>
 Balance of funds as of September 30, 2008	 \$2,306,078

Fiscal Year 2009 Projections

Capitalization Grants	\$8,146,000
State Match	\$1,629,200
Set-Asides	(\$538,760)
Projected Excess Principal Repayments	\$6,800,000
Projected Unrestricted Interest Earnings	\$2,700,000
Leveraged Bond Proceeds	\$10,000,000
Arbitrage Rebate Liability	<u>(\$200,000)</u>
Projected Fiscal Year 2009 Sub-total	<u>\$28,536,440</u>
 Total Funds Available for Loans	 <u><u>\$30,842,518</u></u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in Fiscal Year 2009	 <u><u>\$30,806,750</u></u>

Administrative Surcharge Funds Available as of September 30, 2008	
Program Income	\$1,494,726
Non-Program Income	<u>\$2,782,804</u>
Total	<u>\$4,277,530</u>